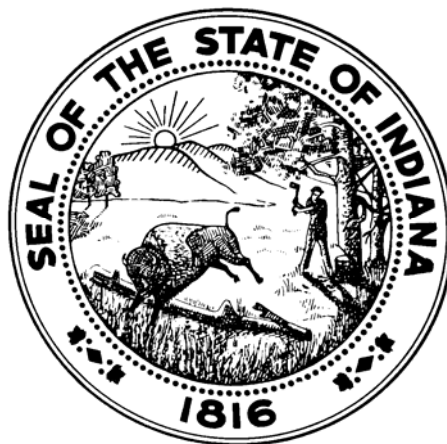


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT
OF
OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
OHIO COUNTY, INDIANA
January 1, 2004 to December 31, 2006



FILED
03/14/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Paul E. Banta	01-01-04 to 08-09-04
	Susan Arnold	08-10-04 to 04-29-06
	June Dittmer	04-30-06 to 07-02-06
	Erin Helms	07-03-06 to 01-08-07
	(Office Vacant)	01-09-07 to 02-28-07
	Belinda D. Schraeder	03-01-07 to 12-31-07
President of the Board	W. Gene Weaver	01-01-04 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF OHIO COUNTY SOIL AND WATER
CONSERVATION DISTRICT, OHIO COUNTY, INDIANA

We have examined the financial information presented herein of Ohio County Soil and Water Conservation District (District), for the period of January 1, 2004 to December 31, 2006. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Except as described in the next paragraph, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The records presented for the year ended December 31, 2006, did not provide sufficient information to examine or establish receipts, disbursements, ending balance, or the accuracy or correctness of the transactions. Accordingly, a complete financial schedule for the year ended December 31, 2006, is not presented. Cash and investments presented at December 31, 2006, are based on balances shown on depository statements and not on record balances prepared by management.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts. Since adequate financial records were not maintained for the year ended December 31, 2006, as discussed in the preceding paragraph, the scope of our audit work was not sufficient to enable us to express, and we do not express, an opinion on the financial schedule presented for the year 2006.

STATE BOARD OF ACCOUNTS

March 5, 2007

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2004, 2005 And 2006

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
General	<u>\$ 21,713</u>	<u>\$ 25,454</u>	<u>\$ 17,570</u>	<u>\$ 29,597</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
General	<u>\$ 29,597</u>	<u>\$ 19,160</u>	<u>\$ 23,854</u>	<u>\$ 24,903</u>
				Cash and Investments 12-31-06
General				<u>\$ 36,028</u>

The accompanying notes are an integral part of the schedules.

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under a Board of Supervisors form of government and provides soil and water conservation services.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

The General Fund is used to account for all activities of the District.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the District to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

We found the following deficiencies, relating to the recordkeeping:

- (1) Financial records presented for examination were incomplete and not reflective of the activity of the General Fund for the last six months of 2006. The records presented did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

- (2) Prescribed Form 358 (Ledger of Receipts, Disbursements, and Balances) and Form 352 (Receipt) were not used for the last six months of 2006.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

- (3) Depository reconciliations of the fund balances to the bank account balances from June 2006 to December 2006 were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

DISBURSEMENT PROCEDURES

We found the following deficiencies regarding the processing of disbursements during the examination period:

- (1) Claims supporting disbursements for December 2006 were not presented for examination.
- (2) Not all claims were adequately itemized.
- (3) Not all claims were certified by the treasurer that the bill or invoice was true and correct.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct;
and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SALES TAX PAID

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FEDERAL AND STATE AGENCY COMPLIANCE REQUIREMENTS

Compensation paid to employees was not reported on Internal Revenue Service Form W-2, no federal or state income taxes were withheld, and no Internal Revenue Service Form W-4 (Employee's Withholding Allowance Certificate) was presented for examination.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONFLICT OF INTEREST

During the examination period the District made purchases from Weaver Farm Supply which is owned and operated by W. Gene Weaver, President of the Board. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states, in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

“(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . and (B) makes a disclosure under subsection (d)(1) through (d)(6).”

“(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .”

“(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . .”

“(k) As used in this section, ‘dependent’ means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant.”

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states, in part:

“(a) . . . ‘original records’ . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . “

Further, Indiana Code 26-2-8-111 states, in part:

“(a) if a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference.”

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

“(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a).”

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states, in part: “. . . On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located.”

OHIO COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 5, 2007, with W. Gene Weaver, President of the Board of Supervisors; Belinda D. Schraeder, Treasurer; and Wade Turner, Supervisor. The officials concurred with our findings.